



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Jackie Horton, Chairperson  
Village of Memphis  
203 Natchez Street  
Memphis, NE 68042

Dear Chairperson Horton:

The Nebraska Auditor of Public Accounts (APA) has reviewed the delinquent audit waiver request received from the Village of Memphis (Village) for the fiscal year ending 2019. **That request has been approved.**

However, as noted in **Comment and Recommendation 1** (“Audit Filing and Budget Filing”) below, the Village’s 2020-2021 budget, which is required to be filed by September 20<sup>th</sup> each year, has not been filed with the APA as of the date of this letter. **To ensure compliance with State statute, the Village must file its 2020-2021 budget with the APA. If the budget document is not filed in a timely manner, the APA will begin its process to notify the State Treasurer of noncompliance and to start withholding funds. Additionally, the Saunders County Board does not have the authority to set a levy for the Village when a budget is not filed with the County.**

As also noted in **Comment and Recommendation 1** below the Village’s audit waiver request was not filed within six months of the its fiscal year end as required by State statute. **To be considered for an audit waiver for the fiscal year ended September 30, 2020, the Village must file its audit waiver request by December 31, 2020. If the request is not filed by then, the APA will deny any requests filed thereafter.** The Village then will be required to have an audit conducted for fiscal year 2020, and that audit will be required to be filed with the APA by March 31, 2021. Costs of such audit will be the responsibility of the Village.

While performing, pursuant to Neb. Rev. Stat. § 84-304 (2020 Neb. Laws, LB 781, § 8), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

The following information is intended to improve internal controls or result in other operational efficiencies.

## **Comments and Recommendations**

### **1. Audit Filing and Budget Filing**

The Village’s audit waiver request was filed with the APA on October 26, 2020, almost 13 months after the fiscal year end and nearly seven months after an audit or approved audit waiver must be filed with the APA, as required by State statute.

In addition, as of the date of this letter, the Village’s 2020-2021 budget filing has not been submitted, which was required to be filed with the APA by September 20, 2020.

Neb. Rev. Stat. § 19-2903 (Reissue 2012) states, in relevant part, the following:

*The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year . . . Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year in any event . . . A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.*

Furthermore, Neb. Rev. Stat. § 19-2905 (Supp. 2019) provides, in relevant part, the following:

*At least three copies of the annual audit report shall be properly signed and attested by the accountant, two copies shall be filed with the clerk of the municipality involved, and one copy shall be filed with the Auditor of Public Accounts.*

Neb. Rev. Stat. § 13-508(1) (Cum. Supp. 2018) states, in relevant part:

*After publication and hearing thereon and within the time prescribed by law, each governing body shall file with and certify to the levying board or boards on or before September 20 of each year or September 20 of the final year of a biennial period and file with the auditor a copy of the adopted budget statement. . . .*

(Emphasis added.) Neb. Rev. Stat. § 13-508 (Reissue 2012) provides, in relevant part: the following:

*If the Auditor of Public Accounts determines from the budget documents that a governmental unit is not complying with the budget limits provided in sections 13-518 to 13-522, he or she shall notify the governing body of his or her determination and notify the State Treasurer of the noncompliance. The State Treasurer shall then suspend distribution of state aid allocated to the governmental unit until such sections are complied with. The funds shall be held for six months until the governmental unit complies, and if the governmental unit complies within the six-month period, it shall receive the suspended funds, but after six months, if the governmental unit fails to comply, the suspended funds shall be forfeited and shall be redistributed to other recipients of the state aid or, in the case of homestead exemption reimbursement, returned to the General Fund.*

Moreover, when the budget is not filed with the County, the County does not have statutory authority to set a levy for the entity; thus, the Village should not have a tax levy for tax year 2020.

Good internal control requires procedures to ensure the forms required to be filed with the APA are submitted within the time constraints set out by State statute or by the APA.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also an increased chance of the Village's audit waiver being denied or forfeited funds due to noncompliance of such filings. There is also an increased risk the Village will be short on funds since a levy could not be set by the County.

We recommend the Village implement procedures to ensure forms required to be filed with the APA and others are submitted within the time constraints set out by State statute or by the APA. The Village should also ensure that they can operate financially when a levy is not set by the County.

## **2. Lack of Claim Purpose**

During our comparison of the Village's bank account details to claims approved by the Village Board (Board), the APA noted that the claims listed in the Board's official proceedings lacked descriptions of their respective purposes.

The following is an example of the approved claims listing for the Village General Fund provided by the Village for June 20, 2019:

<b>VILLAGE OF MEMPHIS CLAIMS FOR PAYMENT JUNE 2019</b>	
<b>GENERAL FUND</b>	
OPPD	\$78.93
Windstream	\$80.01
Ashland Disposal	\$23.50
Wahoo Paper	\$99.42
Jackie Horton-QB	\$60.00
EMC Insurance	\$535.94
Scott Nicholson	\$300.00
Wahoo Law	\$116.00
Saunders CO Clerk	\$100.00
<b>TOTAL</b>	<b>\$1,393.80</b>

Neb. Rev. Stat. § 19-1102 (Supp. 2019) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed as follows:

*It shall be the duty of each city clerk or village clerk in every city or village having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the city council or village board of trustees within thirty days after any meeting of the city council or village board of trustees. The publication shall be in a legal newspaper in or of general circulation in the city or village, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item. Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position. The charge for the publication shall not exceed the rates provided for in section 23-122.*

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board’s official proceedings describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board’s official proceedings and published in accordance with State statute.

**3. Payment of Claims Prior to Board Approval**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that multiple Village checks, totaling \$4,137.22, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

Name	Check #	Claim Date	Check Date	Amount	Days Paid Before Approval
Kenny V Service	2854	6/20/2019	6/4/2019	\$ 1,290.00	16
OPPD	3578	6/20/2019	6/4/2019	\$ 603.44	16
Peoples Service	2855	6/20/2019	6/4/2019	\$ 495.00	16
OPPD	2853	6/20/2019	6/4/2019	\$ 273.74	16
Wahoo Law	3577	6/20/2019	6/4/2019	\$ 116.00	16
OPPD	2852	6/20/2019	6/4/2019	\$ 109.24	16
Saunders Co Clerk	3582	6/20/2019	6/4/2019	\$ 100.00	16
Wahoo Paper	3576	6/20/2019	6/4/2019	\$ 80.45	16
Windstream	3580	6/20/2019	6/4/2019	\$ 80.01	16
OPPD	3581	6/20/2019	6/4/2019	\$ 78.93	16
NE Public Health Lab	2856	6/20/2019	6/4/2019	\$ 32.00	16
Ashland Disposal	3579	6/20/2019	6/4/2019	\$ 23.50	16
EMC Insurance	3584	6/20/2019	6/18/2019	\$ 535.94	2
Scott Nicholson	3585	6/20/2019	6/18/2019	\$ 300.00	2
Wahoo Paper	3583	6/20/2019	6/18/2019	\$ 18.97	2
<b>Total</b>				<b>\$ 4,137.22</b>	

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2018) sets out the proper method for the appropriation or payment of money by the Village, as follows:

*All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the city council in a city of the second class or village board of trustees . . . .*

Good internal control requires procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

#### **4. Payment of Unapproved Claims**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified two payments, totaling \$1,750, which were paid but not included on the claims listing approved by the Board.

Details of these unapproved payments are included in the table below:

Name	Check #	Cleared Date	Amount
Jackie Horton	3587	6/24/2019	\$ 1,500
Kirsten Wigle	3589	6/26/2019	\$ 250
<b>Total</b>			<b>\$ 1,750</b>

Good internal controls require procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Without such procedures, there is an increased risk for the loss of misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

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The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Village's policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to make comments and suggestions that we hope will prove useful to the Village.

This communication is intended solely for the information and use of the Village and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions, please contact **Dakota Christensen at 402-499-8702 or dakota.christensen@nebraska.gov.**

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor